

Money rules to live by

Whenever someone mentions the word "rules," most of us want to run in the other direction. Rules are no fun and, well, breaking them usually is. But there's something really great about financial rules of thumb: They work. In most cases, following them will help protect you from risk and maximize your investment potential.

Following are some money rules to keep in mind as you budget your expenses, save money and invest for your future. These are rules you won't want to break.

Rule 1

Follow a budgeting formula

Balancing your expenses against your salary is nearly impossible without a strategy. To determine how much to spend on various expenses, follow this formula recommended by top experts:

- Try to spend no more than 30 - 40 % of your take-home pay on all your housing expenses. This includes any combination of rent, renter's or homeowner's insurance, mortgage payments, property taxes and homeowners association or co-op fees.
- Allocate an additional 15 % to transportation expenses, including car payments, insurance, parking, cab fares or anything else related to getting you from place to place.

- Set aside about 10 % of your monthly income for savings, whether it's for your emergency fund, your PERSI Choice Plan 401(k), or saving up for a big purchase or vacation.

If you follow these guidelines, you should still have enough left for other expenses and a little fun. It's a handy way to make sure your salary matches your expenses and keeps you in the black each month.

Rule 2

Buy and Hold

It may be tempting to try to time your buying and selling to capitalize on stock market upswings and downturns. But investment professionals have proven the wisdom of buying and holding stocks for the long haul. That could mean three years, 10 years or more. The logic behind buying and holding is that stocks have historically risen an average of 10 % a year. By investing in a stock fund and holding it for, say, 10 years, you'll be protected from losses if the market edges down for a few years.

Your PERSI Choice Plan makes it easy to manage your funds. While you MAY change your allocations daily if you wish, you may also choose to not change your allocations for years at a time. But we'll send you a quarterly statement

A Message from Retirement Board Chairman, Jody B. Olson

Economic doldrums lull PERSI's growth

As you have no doubt noticed, the economic markets are not recovering as robustly as hoped. Although final Fiscal Year figures are not available yet, PERSI's returns for the year look to be, at best -2%, (-6.1% last year). This, believe it or not, does compare favorably with economic indices and our peers in other states.

However, poor returns mean that there will be no Gain Sharing again this year, and that your PERSI Board of Trustees, over the next year or so, must start considering future contribution rate increases for members and employers. To do this, we will examine PERSI's assets and liabilities, and with the help of professional actuaries, analyze economic assumptions such as long term expected returns, wage increases and inflation. We will also study demographic assumptions including mortality rates, turnover and retirements.

Should rate increases be required, they will likely not begin until 2004. The annual Cost of Living Allowance for retirees for amounts above the mandatory 1% may also be affected starting March 2003.

Over the next several months, I

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Popular retirement planning workshops return.

For the last 18 months we've been busy traveling all across Idaho giving hundreds of Choice Plan workshops. During that time (because we're only human and can only do so many things at once), we suspended our popular Retirement Planning workshops. But now, in response to much begging and pleading, the retirement workshops are back!

We're now calling this workshop PERSI 505: Retirement Planning. It's for you "upper classmen and classwomen" who will be graduating into retirement within the next five years or so.

PERSI 505 covers a wide variety of topics to help you plan for the transition into retirement. In this "numbers-crunching" session we'll put you to work. You'll integrate your PERSI benefits with other sources of income. You'll start calculating how much money you'll have in retirement from PERSI, Social Security, investments and other sources. (We

know you don't want to do this work on your own, so we'll take you through the process in class.)

Topics:

- Your PERSI benefits & options
- Estimating your Social Security benefits, How earnings after retirement affect Social Security payments)
- Protecting income against inflation
- Other sources of income during retirement
- Estate Planning, Trusts & Wills
- Income & Expense projections
- Living Wills/Health Care Power of Attorney
- Health Insurance & Long-term Health Care
- We'll even bring a copy of your latest PERSI Base Plan Annual Statement for your convenience.

PREPARING FOR YOUR WORKSHOP

Your workshop experience will be enhanced if you are prepared. Bring your

latest PERSI Choice Plan 401(k) Quarterly Statement. Or, you may print out your Choice Plan information from our website: www.persi.state.id.us/choice.htm. Also, bring your latest Social Security Earnings and Benefits Statement. Social Security now automatically sends this to you each year before your birthday. Or, you can go to Social Security's web site at www.ssa.gov and use their on-line calculators to estimate your benefits. They have three calculators, from simple to complex. Or, you can call Social Security at 1-800-772-1213 to request a statement.

REGISTRATION

Registration is easy. You may send in the form along with your check, or you may call toll-free 1-800-451-8228 x297. Enrollment is limited to enhance the workshop experience.

We must receive your registration at



Are you ready to graduate into retirement?

least one month before the class so that we may have enough time to prepare Base Plan benefit statements for each participant.

A few weeks before your workshop, you'll receive a reminder card.

FEE & PAYMENT


A secure retirement is priceless, and the information we provide might cost big bucks if you went to a financial planner,

but – just for you – this workshop is FREE! We do require a check for \$15, however, as a deposit to reserve your space. We will return your check to you when you show up for class. If you do not show up, we will cash your check. We do this because we often have waiting lists for these classes, and so, we hate to hold a spot open for someone who is not going to show when we have others eager to attend.

Your spouse or a family member may attend with you for free.

CANCELLATION

You may cancel up to five working days before your workshop to receive your deposit check back.

Workshops may be cancelled for insufficient enrollment, however that has never happened for one of these workshops. 

PERSI 505: Retirement Planning Workshop Registration

Name _____

Employer/Agency _____

Home Address _____

City _____

State _____ Zip Code _____

Home Phone _____ Work _____

First Choice of Workshop Date/Location (see schedules) _____

Second Choice (if any) of Workshop Date/Location _____

Will Your Spouse or Significant Other be Attending?
_____ Yes _____ No

If Yes, Spouse's Name _____

Do you have a (check all that apply):
_____ 401(k) _____ 403(b) _____ 457 _____ IRA

So that we may bring your personal benefits estimate to the workshop, we need the following:

Social Security Number _____

Date of Birth _____

Planned Date of Retirement _____

(If a date is not given, PERSI will assume your earliest regular retirement date.)

If Married, Spouse's Date of Birth _____

(Needed to calculate Contingent Annuitant options)

If Your Spouse is also a PERSI Member, we need the following information:

Spouse's Social Security Number _____

Spouse's Employer/Agency _____

Spouse's Work Phone _____

Spouse's Planned Retirement Date _____

Don't forget to include your deposit check for \$15 with this form! You will get your check back when you show up for class. If you do not show up, we will cash your check.


Mail to: PERSI Workshops, PO Box 83720, Boise ID 83720-0078

Economic doldrums

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invite you to monitor our monthly Board meetings either in person, via our website or through your representatives. At most meetings, attendees include representatives from the Governor's office, cities, counties, and other employers, as well as employee organizations. Among my favorites are retiree representatives Jim Coleman, Charlie Brown and Tom Robb, all of whom were teachers and coaches in the 1950s in Boise when I was in school. Apparently they still want to teach, and I have a lot to learn.

While it may be a tough time to be an Idaho public employee if you're hoping for a raise, it is a great time to be an Idaho public employee when it comes to your secure retirement benefits. Because, no matter what, your PERSI retirement benefits are still 100 % guaranteed once earned. All retirees will continue receiving their monthly checks and your current benefit amounts will not be reduced or affected in any way. Your \$6.6 Billion PERSI fund is strong and will continue to remain so. ♦



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Money rules

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so that you may keep tabs on your money just the same.

Rule 3 Diversify

This rule is particularly important in volatile financial markets. The more diversified your investments, the better you'll be able to weather downturns that strike specific investment categories.

One extremely easy way to stay well diversified is to keep your PERSI Choice Plan 401(k) funds allocated to the Choice Plan's PERSI Total Return Fund (TRF). This fund is invested exactly like your \$6.6 Billion PERSI fund. It generally invests 45 - 55 % in US equities, 15 - 25 % in international equities, and some 30 % in fixed income. The TRF includes primarily publicly traded stocks and bonds with some private holdings in real estate, private equity and commercial mortgages. The TRF's holdings include technology, financial services, health care, consumer goods, capital goods and energy. Our top stock holdings include General Electric, Microsoft, Exxon, Wal Mart, IBM and Pfizer.

The Choice Plan's other investment options are also well diversified. The Mellon Wilshire 5000 Stock Index Fund, for example, is diversified among thousands of stocks.

Rule 4 Use the Rule of 72 to Save

The "Rule of 72" is a handy way to calculate how long it will take your money to double. Here's how it works: Divide 72 by the interest rate (or rate of return) you're getting on your money. That's how many years

it will take you to double it. For example, if you're earning 6 % on an account, it will take you 12 years to double it ($72/6 = 12$).

Rule 5 Manage your Debt

There's no question that debts can be a tricky business. No matter how much you pay each month, debts can linger and accumulate interest. But to keep your debts from taking over your life, you should try to keep them at a consistent level.

Try to keep your debt at no more than 20 % of your take-home pay. When figuring how much debt you have, include ongoing credit card bills, student loans and lines of credit. If your debt is more than 20%, check out loan consolidation plans to put all your loans into one at a lower interest rate. Or call your credit card company to see if you can have a rate reduction. Sometimes all you have to do is ask.

Depending on your circumstances, you may even wish to take a loan from your PERSI Choice Plan 401(k) to pay off lingering debt.

Rule 6 Use your Choice Plan 401(k)

The 401(k) is a simple way to help you with most of the above rules. It is easy to sign up. The funds come right from you paycheck. You can choose your allocation or simply leave your funds in the well-diversified PERSI Total Return Fund.

For information, call toll-free

1-866-ID-PERSI

or visit www.persi.state.id.us/choice.htm ♦